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## Chiang Announces Major Insurance Settlement

*Returning \$25 million from funeral policies*

**SACRAMENTO** - State Controller John Chiang today announced a settlement agreement with Forethought Group, Inc., a company that sells end-of-life policies through funeral planners. The company will return approximately \$25 million to California beneficiaries, and has agreed to adopt strict business reforms to ensure prompt payment of benefits in the future. The Controller has already reached similar agreements with three other insurers.

"Those who purchased policies from Forethought wanted peace of mind that their spouses, children and loved ones would not be burdened with the expenses and inconvenience associated with paying and planning for a funeral. It's a shameful betrayal of trust when this insurance company – either through wanton greed or careless neglect – did not honor their obligation to pay," said Chiang. "The settlements my office has negotiated are proof that we are moving the insurance industry in the right direction and policyholders will be better-protected in the future."

Forethought generally sells funeral plans that are funded by life insurance. The company uses a network of funeral planners to sell to consumers, who choose the funeral home and service and merchandise they desire. The funeral home then contracts to provide service when needed, and is paid through the guaranteed insurance policy.

Controller Chiang began auditing insurance company practices in 2008, and revealed an industry-wide practice of companies failing to pay death benefits to the beneficiaries of life insurance policies, despite having access to federal records indicating that policyholders had died. This information is contained in the "Death Master File" -- a database maintained by the Social Security Administration and regularly scanned by companies that sell and administer life insurance policies.

Despite having access to these records – or having direct confirmation that the policyholder had passed away – some companies would draw down the policies' cash reserves in order to continue collecting premium payments from the deceased. Once the cash reserves were depleted, the company would cancel the policy.

But unclaimed property laws are in place to protect private property from being lost during mergers or bankruptcies, drawn down by service or storage fees, or simply used by private interests. Administered by the Controller, the California unclaimed property program generally provides that businesses must send lost or abandoned financial accounts to the State after three years of inactivity. The Controller maintains an unclaimed property database accessible by any California resident to identify all

unclaimed property the State has collected on their behalf. The database is available at [www.claimit.ca.gov](http://www.claimit.ca.gov).

Today's settlement requires Forethought Inc. and its subsidiaries to do the following:

- Restore the full value of impacted accounts;
- Fully comply with California's unclaimed property laws and cooperate with the Controller's efforts to reunite millions of dollars in death benefits and matured annuities and other policies with their owners or, in many cases, the owners' heirs;
- Use the date of death as reflected in the Social Security Administration's Death Master File to establish the start of the three-year unclaimed property dormancy period.
- Pay the State of California three percent compounded interest on the value of the held amounts from 1995, or from the date of the owner's death, whichever is later, for failure to comply with unclaimed property laws.

Forethought is the fourth insurance company to settle with Controller Chiang. The Controller reached similar agreements -- worth more than an aggregate \$80 million for California, alone -- with insurer John Hancock in May 2011 and with Prudential Insurance in December 2011 and MetLife in April 2012. To read more about the Controller's efforts, [click here](#).

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